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and net worth**

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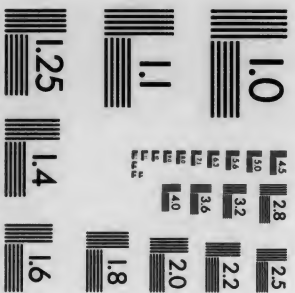
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Retail Profits Turnover and Net Worth

LEOPOLD MINSTER

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Retail Profits, Turnover and Net Worth

Simple Methods of Determining Gross Profit, Expense and Net
Profit in Any Size Store; with Concise Forms for Approximating
Stock on Hand any Month, Week or Day, and Finding Average
Stock and Turnover

By
LEOPOLD MINSTER

*Reprinted from
Atlantic Coast Merchant*

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Foreword

THIS booklet should be especially helpful to the retail merchant. It is based on the author's years of experience as a merchant's accountant, and as a writer on modern systems for leading business publications. The methods he advocates are described accurately, thoroughly and in clear and simple language.

The fundamentals of Leopold Minster's training were obtained during nineteen years of work as one of the chief lieutenants of the late Isidor Straus, senior partner of R. H. Macy & Co. and L. Straus & Sons, a member of the firm of Abraham & Straus and director of some of the leading financial institutions of the country.

Subsequently Mr. Minster established himself as consulting accountant and in this capacity his services have been called upon by merchants from all parts of the world.

Three facts particularly fit Mr. Minster for the writing of this work:

1. That during his career as a consulting accountant he has specialized in the simplification of big store systems and their adaptation to the needs of the medium and smaller stores.
2. That he has ever borne in mind the accounting needs of a store whose books are *not* kept on the "double entry" plan.
3. Recognizing his exceptional opportunities for keeping in touch with the progress constantly being made in his field, he devoted much of his time to describing practically his day to day work in leading publications.

Thus, as an authority in his particular field, Mr. Minster stands alone.

The material in this hand-book was written by him for presentation in the Atlantic Coast Merchant in serial form and has been revised by him for this work. Every method here shown is in actual use in successful stores. Every amount included in the schedules is based on actual trading in a store whose sales total last year was about \$100,000.

In Chapter I are presented the simplest and most direct ways of determining the store's *gross* profit and *gross* profit percentage and of testing the figures found.

In Chapter II are shown equally simple ways of determining the store's *net profit*. How to test the results in such a way as to present to the merchant a clear picture of what became of his net profit, if he *really* made any, is also described. *This chapter alone, if taken to heart and applied to his own affairs, may mean, to many a merchant, the turning point in his business career.* For it shows in a, b, c form how to present a picture of the real progress—or retrogression—of his business from year to year.

It is difficult to overestimate, too, the value of the schedule which forms the main feature of Chapter III. By using the a, b, c methods therein graphically illustrated by Mr. Minster, a merchant can keep in close touch with his merchandising. Thus he can minimize his losses through *overbuying and underselling*. The schedule in Chapter III in brief shows the merchant how, with a few minutes' work, he can record and follow up for comparative purposes his total *purchases, sales, approximate gross profit* earned, stock on hand, etc., so that he can determine:

1. Whether his *purchases* are O. K.
2. Whether his *sales totals* are as planned.
3. Whether his *fire insurance* is ample.
4. Whether his gross profit is covering his requirements for *expenses* and net profit. Thus, if anything even *looks* wrong, he can immediately take steps to check it.

In other words, Mr. Minster presents a method which makes it possible for the merchant to use foresight instead of hindsight. That is, to know how his business is going all the time, instead of waiting until the end of the year, or even longer, when it may be far too late to remedy matters.

In addition to doing all the above valuable work, the concise schedule prepared by Mr. Minster for Chapter III shows the merchant the simplest way to find his *average stock* and thus enables him to readily compute how many times he has *turned his stock*. Numberless articles have been written on this subject, but this is probably the first time that there has appeared in book form such a simple and practical method of getting at and following up the vital figures.

In Chapter IV Mr. Minster supplements the analyses suggested in Chapter II by showing how to make tests to determine whether the amount of *cash* on hand at the end of the year tallies with the amount of cash that *ought then* to be on hand.

This chapter also shows how to determine what was each month's share of the year's purchases and sales.

One of the main purposes of the tests in Chapters II and IV is to enable the merchant to determine whether the store's bookkeeping system as a whole produces accurate results and gives the information required.

In Chapter V are taken up, in regard to each department, the gross profit figuring, etc., which, for the store as a whole, was taken up in Chapter I. How to determine the percentage of goods returned by "cash" customers, by "charge" customers and by "all" customers is also shown in Chapter V.

One of the main purposes of Chapter VI is to throw light on a point regarding which there is much misunderstanding, viz.: the radical difference between the percentage of gross profit which is found when the *cost price* is used as the basis for figuring and the *corresponding* percentage that is found for the *same* gross profit when the *selling price* is used as a basis. For instance, the unwisdom of calling a gross profit 50 per cent on cost price, instead of 33 1/3 per cent on selling price.

Another vital point emphasized by Mr. Minster in Chapter VI is the importance of so providing in advance for unavoidable price *reductions*, shrinkages, expenses, etc., that when the final results are determined, the net profit will be a satisfactory one to the business. In brief, in Chapter VI Mr. Minster endeavors to make clear that even though goods may be *bought* right, they must be *marked* right and then *sold* right in order that results, satisfactory to all concerned, will be forthcoming. In Chapter I, moreover, Mr. Minster shows how to figure gross profit percentages *both* on the cost price and on the selling price of the goods sold.

In Chapter VII Mr. Minster presents one of the, if not *the* very simplest methods of following up stock on hand in such departments as Wearing Apparel, Shoes, Rugs, Furniture, etc., with a view to avoiding loss through overbuying and underselling. In other chapters this matter is taken up only as to *dollars and cents* amounts. In Chapter VII the work is taken up regarding the *goods themselves, item by item*. In other words, in Chapter VII Mr. Minster shows how to follow up quantities, sizes, styles, colors, etc., so that *slow* moving goods can be "pushed" while *fast* moving goods, *if advisable*, can be promptly re-ordered. More than that, he shows how the precise gross profit made—on *each item*, or *each day*—can readily be determined in an extremely simple manner.

In Chapter VIII is shown how one store divided the *rent* charges (for the space used for selling) among its various departments during three different years.

In Chapter IX is shown what *cash discounts* the same store earned during the same three years.

THE PUBLISHER.

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CHAPTER I

Knowing Where You're At *vs.* Groping in the Dark

AT a recent convention two business men discussed the value of good accounting methods. The one, a credit man, had for years been connected with the handling of the customers' accounts of a wholesale house; the other had gained his experience mainly as a general manager of a retail concern. The credit man maintained that the merchant ought, at all times, to be prepared to give to his creditors that information regarding his financial condition to which they are entitled. He added, moreover, that "The experienced retailer who extends credit to customers does so only after he is satisfied that they are a safe risk for the amounts involved. If he is in doubt, he will as diplomatically as possible obtain from or through them the information which will enable him to make up his mind.

"Naturally, therefore, when he himself asks for credit he ought to regard it as only fair and sensible for him to be in a position to give his creditors the data they need for their mutual protection. For each time he, the retailer, opens an account with new creditors, do they not, in a sense, become partners in his enterprise? Are they not interested in the success of his venture, at least, in accordance with the value of the goods which they are giving him 'on time'?

Data Asked for by Credit Men

"To safeguard his credit, therefore, the merchant ought to be in a position to answer such questions as the following:

1. "What was the total of the *merchandise inventory* with which you *started* the year?
2. "What was the total of the merchandise inventory with which you *ended* the year?
3. "What was the total of your *purchases* last year?
4. "What was the total of your *sales* last year?
5. "What was the total of your store *expenses* last year, and what did you include therein?
6. "Are the expenses (including rent, depreciation, owner's wages, etc.) so carefully classified and recorded that he can readily determine whether, and *where*, he is spending too much or too little—and thus minimize either waste or injudicious economy?
7. "What was your *trading net profit* last year?
8. "What *other income* did your business have?

9. "What were your *resources* and your *liabilities* at the start of last year?
10. "What were your *resources* and your *liabilities* at the end of last year?"

[NOTE: The object of questions 9 and 10 is to find out how the net profit of the year affected the store's resources and liabilities.]

11. "Was there in bank, and on hand, at the start of the year, the amount of *cash* then called for?
12. "Is there at present, in bank and on hand, the amount of *cash* called for?"

The Merchandise Man's Viewpoint

To all of this the merchandise man replied:

"Whether he needs that information for his creditors or not, the merchant ought certainly to want it for his own guidance. In brief, if he wishes to build, not merely for the present but also for his future progress, and do his work with self-confidence instead of groping in the dark, he ought at any time to be able to determine not only the answers to the foregoing questions, but also the answers to the following ones:

1. "What is the approximate total of the store's *gross profits* since the last inventory?
2. "What is the approximate value of the *stock on hand*?
3. "How much did the store's *average stock* amount to last year?
4. "How many times was that average stock *turned* last year?
5. "What percentage on the store's merchandise payments last year did the *cash discounts* average?
6. "In *marking goods*, is there always added to laid-down cost a percentage sufficient to provide for a fair net profit, after reductions, expenses, shrinkages, etc., are duly taken into consideration?
7. "Of that part of the store's merchandise (such as wearing apparel, shoes, etc.) which must be followed up closely in order to bring a satisfactory profit, which sizes, colors, widths, styles, qualities, etc., are on hand?
8. "Which of these items are and which are not selling right?
9. "What was the total quantity bought, and how much was sold, of each item?
10. "What was the gross profit made on each item?"

Experienced merchants realize that the data referred to by both of these men is essential to efficient business management. Many a merchant, moreover, has heard such suggestions time and again and has wondered how he could apply them to his own business with a minimum of effort and cost.

The purpose of this book is to help the retail merchant to find an

accurate answer to that problem in the simplest manner. Therefore, practically all the methods have been illustrated in schedule form. A separate form or schedule is devoted to each step in the work.

Every item is so clearly explained either in the schedule or the text, or both, that the reader can adopt the methods merely by substituting his own figures in forms similar to those illustrated, which he can readily rule to suit his own requirements.

Thus he will have available for ready reference and for comparison with the figures of previous years (or of other concerns) the vital statistics of his business operations.

Can You Tell Your Gross Profits and Know You Are Right?

In an Atlantic Coast town of less than 2,700 population, located less than 20 miles from a much larger center, there is a department store which during its last fiscal year, ended March 1, 1920, sold almost \$100,000 worth of goods. Of this total about \$35,000 worth consisted of groceries. The store has sent me several interesting letters containing painstakingly tabulated year's-end figures of various kinds which it asked me to analyze.

I here present one of these letters as well as the first installment of my analysis of the figures. In subsequent chapters I shall present other letters and figures of this store, as well as my analyses thereof, referred to hereunder.

Four Schedules as to Gross Profit Exclusive of Discounts

In one of the four schedules presented herewith I have employed some of the store's figures to illustrate one way of determining its "*gross profits*." A way to *test* the correctness of that "*gross profit*" figure is shown in two other schedules. In the fourth schedule I take up the "*gross profit*" percentage computations, using both "*cost price*" and "*selling price*" as a basis.

I have endeavored to make these schedules so clear that any merchant can, by inserting his *own* figures in the place of this store's, compute his *own* gross profit, etc., and then test *his* computations as I have tested mine.

I use this technical term "*gross profit*" because until now that is the term which has been generally employed to distinguish such "*profit*" from *real* profit or—as it is termed—"net" profit. In later articles I will show simple ways of determining such profits.

Keep in Touch with Value of Stock on Hand

Some merchants know how much stock they have on hand only just after they have made an inventory, or—as some term it—an "*invoice*" of their stocks. More progressive merchants, however, are not content to spend most of the year in the dark in that way. Through simple

methods they can tell, at a glance, the value of the stock they have on hand "*at any moment.*"

Unless a merchant can do this, that is, can always tell, at least approximately, the value of his stock on hand, how can he keep in touch with how much, or how little, fire insurance (or burglary insurance) he requires? How can he be certain as to how much or how little merchandise he ought to purchase? Or, how can he gauge as to when to *increase* his advertising (or to "push" certain merchandise) so as to decrease his stocks? Hence I will use this store's statistics to show, besides the methods already mentioned, how you can arrive at the answers to the questions we have listed on this page.

Methods Simple—Explanations Clear

The questions may seem formidable, or, to put the matter differently, some readers may think that the preparation of such statistics will involve an undue amount of work on their part. Hence, note that to make this series of maximum value to my readers my methods and explanations will be made so simple and clear that any merchant will be able to readily adapt any, or all, of them that he needs—and do so *without* an undue amount of extra work on his part. Moreover, wherever possible I will show at least two ways of doing the same "chore" so that if the merchant desires he can test the correctness of the figures.

Here, then, is the first of the Atlantic Coast department store's letters above referred to:

One of the Store's Letters

"Herewith find figures for the fiscal year, March 1, 1919, to March 1, 1920. Besides two men and two lady clerks, we employ one lady bookkeeper who works only in the office, one delivery man who helps inside when not delivering, one boy who works only evenings, mornings and Saturdays. As manager of the store I look after the buying, advertising, 'credits,' collections, card writing, etc.

"About four years ago our sales totaled between \$25,000 and \$30,000 a year. Last year they were about \$100,000, of which 55 per cent was 'cash' business and the remaining 45 per cent was 'charge.'

"I feel, therefore, that to do justice to our growing business I will have to make others responsible for certain departments, etc.

"Will you kindly make up a profit and loss account and such other schedules as are essential to a comprehensive analysis of the following figures?

"I will gladly give you promptly such additional information as is required."

To present here all the figures the store sent me would take up more space than can be spared; therefore, I shall present here only a sum-

mary of the figures sent and give the details in those of various schedules in which they belong. In other words, each schedule will show all the figures that belong therein, whereas here I give only such as are necessary for a general survey.

Here is this summary:

Some of the Store's Figures

Merchandise on hand as per inventory (cost price) March 1, 1919, \$20,795.59. Merchandise on hand as per inventory (cost price) March 1, 1920, \$22,880.22. Customers' accounts and other resources March 1, 1919, \$6,849.60. Customers' accounts and other resources March 1, 1920, \$12,762.46. Liabilities, March 1, 1919, \$1,023.38; liabilities, March 1, 1920, \$1,173.93; merchandise bought during the year, less goods returned to wholesalers, \$81,716.52; cash discounts deducted from above purchases, \$1,782.78; merchandise sold during the year (selling price), \$99,663.81. From these sales must be deducted merchandise returned by charge customers, \$1,204.31; and returned by cash customers, \$479.88.

(In all the following schedules "bill-price" means: Wholesale price before deducting cash discount.)

SCHEDULE 1

Merchandise Account, Year Ended March 1, 1920. (Summary)

Dr.

Inventory March 1, 1919— (This item shows the value of the goods on hand at the start of the year at "cost price").....	\$20,795.59
Purchases, less returns to wholesalers (bill price).....	\$81,716.52
Freight, expressage, etc. (inward).....	728.32
(This item shows the laid-down-bill-price of the goods bought during the year).....	82,444.84
Total Dr. (gross-cost).....	\$103,240.43

Cr.

Sales, less customers' returns— (This item shows the selling-price of the goods bought by customers during the year).....	\$97,979.62
Inventory March 1, 1920— (This item shows the value of the goods on hand at the end of the year at "cost-price").....	22,880.22
Total Cr.	\$120,859.84
"Gross-profit" (exclusive of cash discounts). See also foot of Schedule 3	\$17,619.41

In the following Schedules (2 and 3) we present a rough analysis of the store's "merchandising" during the year ended March 1, 1920. The purpose of this analysis is to "test" the correctness of the "gross profit" amount shown at the foot of Schedule 1.

Hence "net" sales were \$97,979.62. Cost of running the business (including depreciation on equipment, but *not* including bad debts, or "interest on investment," and not including Federal income tax, as this was paid by the individual partners and not by the store), \$10,465. Loss through bad debts, \$1,090.25; 1.1%

To Find and Test the Gross Profits Exclusive of Discounts

To enable us to determine a store's "gross profit" for a given period we must know (a) the *selling* price of the goods that it sold during that period, and (b) the *cost* price of these goods. In this case the store reported to us the net *selling* price of the goods sold (after deducting customers' returns, etc.) as \$97,979.62; but it did not report to us what those goods *cost* the store. So in Schedule 2 we make an effort to determine that cost figure.

SCHEDULE 2

Merchandise on hand at the start of the year (March 1, 1919), as per inventory	\$ 20,795.59
Add: Merchandise Purchases during the year, less returns to wholesalers (bill price)	81,716.52
Add: Freight, expressage, etc. (inward)	728.32
Gives: Total "Mdee." to be accounted for— (This item shows the "laid-down-cost-price" of the merchandise that ought to have been on hand at the end of the year if nothing had been sold or otherwise disposed of during the year)	\$103,240.43
But, according to the inventory taken at the end of the year (March 1, 1920), the cost-price total of the goods then on hand was only	22,880.22
Hence (aside from the goods which were returned to wholesalers) there must have been sold or otherwise disposed of during the year, goods which had cost the store)	\$ 80,360.21
(Note—In every store there are leaks through goods "disappearing," being given away, broken or damaged, etc. The cost value of the goods which have thus "leaked away" is included in this amount—\$80,360.21. That is why, instead of saying that this amount represents the cost price of the goods that were sold during the year, we must say that this represents the cost-price of the goods that were sold or otherwise disposed of.)	

Upon examining Schedule 2 my readers will see that I begin it with the "cost" of the goods that the store had on hand at the *start* of the year, viz., \$20,795.59; and to that amount I added the "cost" of the goods which the store *bought* during the year, viz., \$81,716.52, as well as the freight, etc., thereon, viz., \$728.32. I did this in order to find out what was the total laid down cost of the goods which the store "handled" during the year. This, as can be seen in Schedule 2, was \$103,240.43.

The next thing to note was that at the year's *end* the store had left (as per inventory at cost price) \$22,880.22 worth of goods. Then, by deducting this last named amount from the \$103,240.43, as I did

in Schedule 2, I learned that during the year the store must have *disposed* of goods which had cost it \$80,360.21.

SCHEDULE 3

Selling-price of the goods which the store sold during the year (less deductions for customers' returns)	\$ 97,979.62
Deduct: The cost-price of the goods that were disposed of during the year (as shown at the foot of Schedule 2)	80,360.21
Leaves: "Gross profit" (exclusive of cash discounts). See also foot of Schedule 1	\$ 17,619.41

In Schedule 3 I contrasted the *selling* price of the goods sold during the year, viz., \$97,979.62, with their supposed cost price, as shown at foot of Schedule 2, viz., \$80,360.21; and thus I learned that the store's "gross profit" for the year (exclusive of cash discounts) was \$17,619.41.

In projecting this series I determined to show ways of *testing* various results obtained in setting up the store's figures. Therefore, instead of taking for "O. K." the \$17,619.41 gross profit shown us by Schedule 1 (which contains the more orthodox method of determining "gross profits"), I also set up Schedules 2 and 3 and, as shown, reached the identical result.

SCHEDULE 4

"Gross Profit" Percentage Computations

Upon dividing the \$17,619.41 by \$80,360.21, we find that during the year ended March 1, 1920, the store's "gross profit" (exclusive of cash discounts), was equal to almost 22 per cent on the cost price of the goods which the store "disposed of" during the year.

Upon dividing the \$17,619.41 by \$97,979.62, however, we find that during the year ended March 1, 1920, the store's "gross profit" (exclusive of cash discounts) was equal to 18 per cent on the selling price of the goods which the store sold during the year.

In Schedule 4 I show briefly how to figure the gross profit percentage, using either the *cost*-price or the *selling*-price of the goods sold as a basis. Both methods are essential. Every merchant ought to be familiar with them.

CHAPTER II

Do You Know Your Net Profits and Where They Went?

IN the preceding chapter I presented a noteworthy communication from a department store in an Atlantic Coast town of less than 2,700 population, located less than 20 miles from a much larger center. The letter showed, among other things, that the store, during its last fiscal year, ended March 1, 1920, sold almost \$100,000 worth of merchandise, whereof about \$35,000 worth consisted of groceries.

The store requested me to analyze the year's end figures which it sent with the letter, so as a first installment of that analysis I presented four schedules. Therein, using two different methods, I showed that the store's gross profit for the year, *exclusive* of cash discounts, totaled \$17,619.41 (or 18 per cent on the *selling* price of the goods which it sold during the year).

Gross Profits Including Cash Discounts

In Schedule 5, presented herewith, in our Profit and Loss summary for the year, I include the total of the cash discounts which the store earned during the period, viz., \$1,782.78. By so doing I got as a total "gain" for the year \$19,402.19.

Upon dividing *that* amount by the store's sales for the year (viz., \$97,979), I find that, including the cash discounts, the store's (gross) profit equaled almost 20 per cent on selling price.

From the \$19,402 gain in Schedule 5 I, of course, had to deduct the store's expenses (including losses on bad accounts); these as shown in detail in Schedule 5 totaled \$11,555.25. By so doing I learned that the store's *net* profit for the year amounted to \$7,846.94 (see foot of Schedule 5).

Inward Freight, Etc., Is Part of Merchandise Cost

It will be noted, however, that no matter how carefully anyone of my readers may study the expense list, in Schedule 5, he will *not* be able to find therein an item referring to the store's outlays for *inward freight, expressage, etc.*, on the goods which it bought. Upon examining, however, our Schedules 1 and 2 which appeared in the previous chapter, readers will find that *therein* I did include, as a part of the store's *merchandise "account,"* the \$728.32 that the store paid out during the year for inward freight, expressage, etc.

Here are a few of the reasons why I treat such outlays as forming part of the cost of the goods bought and, hence as merchandise items:

SCHEDULE 5 Profit and Loss Summary

Cr.	
Gross Profit, exclusive of cash discounts, as shown at foot of Schedules 1 and 3.....	\$17,619.41
(This amount is, of course, the "trading net profit.")	
Cash Discounts as reported to me by the store.....	1,782.78
Total Cr.	\$19,402.19
Dr.	
Payroll (including \$2,000 for the partner who manages the business, but not including wages of driver of delivery truck; see next item).....	\$6,091.50
Delivery—	
Wages of driver of truck (who also sells goods in the store)	\$850.00
Depreciation on delivery equipment.....	165.00
Other delivery expenses.....	493.89
	1,508.89
Rent	720.00
Light	260.77
Heat	166.33
	427.10
Advertising	274.21
Paper and twine.....	392.67
Sales books	60.66
Office supplies	114.42
Carried from previous year.....	66.50
Total supplies	\$634.25
Less: Unused and carried over to new year...	123.70
	510.55
Fire insurance, etc.....	397.39
Mercantile tax and water rent (this does not include any income tax, as that was paid by the partners individually)...	115.64
Phone	\$ 76.65
Postage	94.19
Laundry	20.10
Incidentals	101.78
Donation (Mdse.) to hospital.....	27.00
	319.72
Depreciation on store equipment.....	100.00
Total of expenses.....	\$10,465.00
Add: Loss on bad accounts.....	1,090.25
	11,555.25
Total Dr.	\$11,555.25
Net profit (see also Schedule 8).....	\$7,846.94
(This amount is, of course, the "trading net profit.")	

In Case of Fire Loss, Etc.

If a merchant suffers a fire loss or a burglary loss, he can claim from his companies (and, if he has sufficient insurance, he ought to obtain) not merely the *original* price of the goods, but also the additional sums which he, as a capable, conscientious merchant, would have to pay to put such goods back where they were when they were destroyed or burglarized.

And, broadly speaking, that means: (1) If the market (wholesale) price of the goods has advanced, the merchant is entitled to claim the advanced price and not merely the original price which he had paid. (2) If to replace the goods to advantage the merchant must purchase them in another market, he can claim from his insurance companies (a) the freight, etc., which he will have to pay to "land" the goods on his counter; (b) the buying costs (such as the expenditures for railroad fares and hotel bills), without which he cannot replace the goods, etc.

In too many stores, laying down costs are treated as "Expense." That's why I lay emphasis on the correct method of treating them, viz., as "Merchandise"!

SCHEDULE 6

Expense Percentage (Summary)

Payroll (not including driver, but including \$2,000 for manager-partner)	6¼%
Delivery (including pay of driver who sells in store between times)	1½%
Rent, light and heat	1¼%
Miscellaneous expenses including Supplies, Advertising, Fire Insurance and loss on Bad Accounts	2¾%
Total of expenses	11¼%

(The percentages in Schedule 6 are based on selling price of the goods sold by the store during the year.)

In Schedules 6 and 7, using the store's total (net) sales for the year as a basis, I divided each expense item, etc., by \$97,979, so as to determine what percentage on the store's sales for the year its expenses, etc., represented.

SCHEDULE 7

Total Gross Profit (including cash discounts)	19¼%
Expenses	11¼%
Leaves: Net profit, about..	8%

(All these percentages [like those in Schedule 6], are based on the store's sales-total for the year.)

Increases in Resources, Etc.

In Schedule 8 I test, in two ways, the correctness of the result shown at the foot of Schedule 5.

As can be seen, Schedule 8, "agreeing with" Schedule 5, shows, in two places, that the store's net profit for the year was \$7,846.94. That is, in this instance the amount at the foot of Schedule 5 (viz., the concern's trading profit) and the amount at the foot of Schedule 8 (viz., the concern's increase in net worth) tally to the cent.

Inasmuch, however, as a concern's trading might show a net loss (instead of a net gain), and since there are conditions under which the amounts at the foot of Schedule 5 and Schedule 8 might not tally, I interpolate here certain questions and answers thereto which I trust will prove helpful:

Question 1. Suppose the total of a concern's expenses and other losses exceeds its profits, thus making the year show a net loss instead of a net gain, how would that affect Schedule 5?

SCHEDULE 8

Summary showing Increases (or Decreases) in Resources and Liabilities.

	March 1/19	March 1/20	Net Gain	Net Loss
RESOURCES				
Cash	14,27.85	5,560.74	4,122.09	
Customers' accounts	4,855.26	5,672.02	1,122.77	
Supplies (inventory)	66.50	12.37	57.13	
Merchandise (inventory)	20,795.57	22,820.22	2,024.65	
Store Equipment	600.00	500.00	100.00	
Delivery Equipment	200.00	900.00	700.00	
Total Resources	27,665.19	37,662.65	1,000.00	
LIABILITIES (or Liabilities)				
"Net Worth" March 1/19	1,022.56	1,173.93	151.37	
"Net Worth" March 1/20	26,642.63	34,488.72	7,846.09	
Increase in "Net Worth" during the year		7,846.09	7,846.09	
Decrease in "Net Gain" during the year				250.74
Total of the net gain			7,846.09	
Total of the net loss				250.74
Net Gain in "Net Worth" during the year			7,846.09	

Ans. If the total of the losses during the year is larger than the total of the profits, the foot of Schedule 5 instead of being marked "net profit" must of course be marked "net loss," accordingly.

2. Suppose that a concern makes other **PROFITS** besides those connected with its trading? Or,

3. Suppose that a concern has **LOSSES** not directly connected with its trading?

Ans. If the concern effects gains or suffers losses not directly connected with its trading, these gains or losses should be shown separately at the foot of Schedule 5—after the trading profit (or loss) has been clearly indicated. In other words, for various reasons Schedule 5 should clearly indicate separately not only how much the concern has made or lost through trading, but also how much it has made or lost in other ways.

If Foot of Schedule 5 and of Schedule 8 Don't "Tally"

4. Suppose that the amount shown at the foot of Schedule 5 (be it net gain or net loss) does not tally with the amount shown at the foot of Schedule 8, would that mean that the concern's books were not correctly kept?

Ans. The answer to this question depends on the circumstances. If the amounts at the foot of the two schedules do not tally, it ought at least to be possible to explain every cent of the difference. For example:

a. Perhaps a partner (or partners) *took out* a part of their capital during the year.

b. Perhaps a partner (or partners) *invested* new capital during the year.

c. Perhaps an entirely new partner was taken in.

d. Perhaps the concern made certain profits (or suffered certain losses) which it handled in such a way as to affect the figures in Schedule 8, but not those in Schedule 5.

If after taking such points and others into consideration the difference between the two schedules cannot be explained, then one of the following conclusions might be in order:

The books have not been correctly kept.

The schedules have not been correctly made up.

The one who is looking for the error (or errors) does not know how to "reconcile" the figures.

Schedule 8 makes clear that though the store started the year with assets totaling only about \$27,000 (and liabilities of about \$1,000), the managing partner could show at the year's end, i. e., on March 1, 1920, assets that had increased to \$35,642, or a net worth of \$34,468.75. Besides this, Schedule 8 reveals just how the store's net profit was reinvested in the business or, in other words, just what became of the almost \$8,000 which the store made, net, last year.

To account, then, for this gain the store could show at the year's end over \$4,000 more cash; over \$1,000 more due from customers; about \$2,000 worth (cost value) more merchandise; and a delivery equipment value increase of \$700. Against these gains there is to be noted, of course, as shown in Schedule 8, a decrease of store equipment value of \$100 and an increased indebtedness to wholesalers of \$150.

In the next chapter in this series I hope to be able to use this store's figures to show:

How to determine the value of the stock on hand at any time;

How much the store's stock amounted to during the year at its *highest* (and at its *lowest*) level.

How much the store's average stock for the year amounted to.

How often the store turned its merchandise during the year, etc.

CHAPTER III

Simple Schedule Shows Vital Facts of Your Business

IN the first chapter of this series I stated that the store, during the twelve months ended March 1, 1920, sold nearly \$100,000 worth of goods, whereof \$35,000 worth consisted of groceries. In that article, employing different plans, I demonstrated, in Schedules 1 to 4, that the store's gross profit for the year, exclusive of cash discounts, totaled \$17,619 (or 18 per cent on selling price).

In the second article of the series, employing different methods, I showed, in Schedules 5 to 8, that the store's net profit for the year totaled \$7,846.94 (or about 8 per cent on the selling price of the goods which the store sold during the year).

In my second article I showed also that including the cash discounts the store's gross profit was \$19,402; that its expenses totaled about \$11,555; and that its net profit for the year was, as said, \$7,846. Dividing these various amounts by \$97,979, the store's sales for the year, I showed that the store's gross profit, including cash discounts, averaged about 20 per cent on selling price; that the store's expenses totaled about 12 per cent; hence its net profit was about 8 per cent on the selling price of the goods the store sold during the year.

Here, in Schedule 9, I list, month by month, the store's purchases and sales for the year. In the schedule I also show the approximate amount of gross profit earned by the store each month; the approximate cost price of the goods sold during each month; the approximate cost price of the goods on hand at the start of each month.

By such means, as can be seen in Schedule 9, I was able to determine that the store, during the year, carried an average stock whose cost price was about \$23,298.

Using this \$23,298 "figure" as a basis I found that the store "turned" its average stock about three and a half times during the year.

This "turn" showing is a better one than some of my readers may at first glance suppose; for, be it noted, I did not, in finding these three and a half turns, use the much more common method of dividing the selling-price of the store's sales for the year by the cost-price of the amount of stock with which the store merely started the year. If I had employed that method of figuring I would have said that the store "turned" its "merchandise" nearly five times during the year!

What Schedule 9 Teaches

In taking so much pains to "get up" Schedule 9 I had in mind not only the listing of the store's figures, so my readers could use them for comparison purposes, but also enabling each of my readers to prepare such a schedule for himself so he can learn at any time how much stock he has on hand; how much fire insurance or burglary insurance he may

SCHEDULE 9

1 2 3 4 5 6

Monthly computation of approximate cost of Stock on hand, etc.

Month	Stock approx. start of month (cost)	Purchases (cost)	Total 1+2 (cost)	Sales (selling price)	Gross Profit (selling price)	Cost of Goods Sold (cost)
Inventory, March 1, 1919	20,795	6,022	26,817	6,271	1128	5143
April 1919	21,674	6,894	28,568	7,595	1365	6,230
May	22,338	6,058	28,396	8,453	1520	6,933
June	21,463	7,088	28,551	7,726	1390	6,336
July	22,215	7,593	29,808	7,747	1393	6,354
Aug	23,454	7,583	31,037	8,789	1580	7,209
Sept	23,828	6,456	30,284	7,714	1386	6,328
Oct	23,956	8,447	32,403	8,202	1474	6,728
Nov	25,675	7,913	33,588	8,832	1590	7,242
Dec	26,346	8,441	34,787	12,568	2260	10,308
Jan 1920	24,474	5,665	30,139	7,768	1396	6,372
Feb	23,772	4,285	28,057	6,314	1137	5,177
Inventory, March 1, 1920	22,880					
Purchases (total cost)		82,445				
Sales (total selling price)				97,979		
Gross Profit (about 18% on sales)					17,619	
Cost-price of sold goods						80,360
Footings of col. 1 (13 items)	302,875					
Average Stock	23,298					
Stock Turns	3 1/2					

(This represents 1/2 of the \$46,596)

by dividing the cost of the sold goods \$80,360, by the cost of the average stock \$23,298

we find that the store's average stock was turned during the year, almost 3 1/2 times

Formula: 1+2=3; 4-5=6; 3-6=1 on following line. The percentage to be used in figuring col. 5, each store must determine according to its gross profit experience.

require; how his *purchases* and *sales* for the period thus far compare with those of the corresponding period during previous years; how his *stock*, then *on hand*, compares with that which was on hand at the corresponding date during previous years; and, hence, whether he is (apparently) *buying too heavily* or *not heavily enough*; or whether, for one reason or another, he ought to *push certain kinds of merchandise*, in order to bring the sales up to the proper mark, etc.

Most of these things Schedule 9 can tell a merchant practically at a glance. Common sense, based on experience, will help him to determine the remainder. For Schedule 9 will aid by telling him the approximate *cost of the goods* that are being *sold*; the number of times the *stock* is being *turned*, etc.

Simplicity of Method

As can be seen, at the foot of Schedule 9, I mention that by *adding* the figures on each line in his column 1 to the figures on that same line in column 2, the merchant can obtain his figures for column 3.

Again, I said that, by *deducting* from the figures in column 4 of Schedule 9 those figures that appear in its column 5, the merchant can get the figures for column 6. Then, to start the "next" line, I said: From the figures in column 3 *deduct* the figures in column 6, and thus get your figures for the next line of column 1.

To express the method in even simpler language, let me state that to start the schedule I entered on the first line, in column 1, the cost price of the goods with which the year *started*, viz., \$20,795.

Next to that amount I entered, in column 2, the cost price of the goods *bought* during the first month, viz., \$6,022.

By adding these two amounts I learned that, if no goods at all had been sold, there ought to have been on hand, at the end of the first month, \$26,817 worth of goods (cost price).

But during the first month there were sold \$6,271 worth of goods (selling price); hence I entered that amount (on the first line) in column 4.

Base Percentage on Own Experience

Now we come to the first step about which the merchant must do a little careful thinking in order to prepare "Schedule 9" for his own business. Each merchant must know from past experience what percentage on selling price his gross profits have averaged and thus be able to determine what percentage they are likely to average "this" year.

In this particular case, by going over the store's figures, I learned that its gross profits for the year, *excluding* cash discounts, were about 18 per cent on selling price. In another store, however, the percentage may be less or much more. Hence I cannot tell a merchant just what percentage he *must* use. That he must determine for himself, with the

aid of his accountant or otherwise. As stated, in this case the percentage to be used happened to be 18, so I made the necessary computation and found that 18 per cent on \$6,271 (the selling price of the goods which were sold during the first month) was \$1,128, and that amount I entered on the first line in column 5, as the approximate gross profit for the first month.

Carry Forward from Line to Line

It was a simple matter then for me to deduct the \$1,128 from the \$6,271 and get \$5,143 as a remainder. This I entered on the first line in column 6 as the "cost price of the goods which were sold" during the first month.

Now I was ready to start the *second* line. So, from the \$26,817 in column 3 (the total of the goods which would have been on hand if nothing had been sold) I deducted "column 6," the cost of the goods which *were* sold, viz., \$5,143; and thus I learned that there was on hand to start the *second* month approximately \$21,674 worth of goods (cost price).

Step by Step

Step by step I continued the work, finding (a) each month's "approximate" gross profit; and (b) the cost price of each month's sold goods. Thus I learned that at the end of the year there should have been on hand \$22,880 worth of goods. This, as those of my readers who have read the previous chapters know, is the amount which the store *did* have on hand, at cost price, at the year's end, viz., on March 1, 1920.

Of course, I was able to get the exact result because I knew, *in advance*, the precise percentage of gross profit which the store had made. It is hardly to be expected that every merchant who uses this system will be able to come so close to the final result as I did in this instance. *Several merchants to whom I have recommended this method, however, have told me—after employing the plan for years—that they have been gratified by the accuracy with which through "Schedule 9" they have been able to estimate their stock on hand. The difference between the amount of stock they expected to find on hand and what they actually found was notably small, they gratefully assured me.*

Schedule 9 Method Can Be Applied to Weekly and Even Daily Stock Estimates

It will be noted that in Schedule 9 I have used *month's* figures only. It stands to reason, however, that Schedule 9 can be employed for *week's* end figures, or even for *daily* figures. In other words, by using the method in Schedule 9 a merchant can keep in touch with his approximate stock on hand, estimated profits, etc., either *monthly* or *weekly*, or *twice weekly*, or even *daily*, if he deems it advisable.

It will be noted, too, that Schedule 9 shows us that at no time during the year was the cost value of the stock on hand as low as the amount with which the year was started. The next "low" amount was the value of the stock on hand at the start of the fourth month, viz., on June 1—\$21,463.

The *highest* amount of stock on hand was that with which December was started, viz., \$26,346.

Now as to purchases; the heaviest purchases were made during October and December, 1919, in each of these months the purchases being about \$8,440.

As to the sales, as can be seen, these were highest during December, the next best months being November, August and May.

CHAPTER IV

This Test Shows Whether Your Books Were Kept Right

THIS chapter is the *fourth* in my series based on the figures for the year ended March 1, 1920, of an Atlantic coast store in a town of less than 2,700 population, located about 20 miles from a much larger town.

In the first of these four articles I showed that during the twelve months the store's sales amounted to about \$100,000, whereof about \$35,000 worth consisted of groceries. Moreover, employing different methods, in Schedules 1 to 4, I demonstrated that, *exclusive* of its cash discounts, the store's *gross* profit for the year totaled \$17,619 (or 18 per cent on selling price).

In my second article of the series I showed that, *including* its cash discounts, the store's gross profit for the year amounted to \$19,402 (or about 20 per cent on selling price). In that same article, in Schedules 5 to 8, I listed the store's expenses, etc. And I showed that, since these expenses, etc., totaled about 12 per cent, the store's *net* profit for the year (\$7,847) averaged about 8 per cent on the selling price of the goods which the store sold during the year.

In the third chapter of the series, in Schedule 9, I tabulated for various purposes the store's purchases, sales, "estimated" gross profit, etc., *month by month*.

One purpose was to show how a merchant can readily so tabulate his *own* figures as to be able to tell *at any time* how much his stock on hand, etc., amounts to. Another purpose was to determine how much the "average stock" which the store carried during the year amounted to.

I wanted that average stock figure to enable me to determine how many times the store "turned" its stock during the twelve months. Through Schedule 9 I found that the "cost price" of the store's "average stock" for the year amounted to about \$23,298; and then, by dividing that sum into \$80,360 (the cost-price of the goods which the store sold) I learned that the store turned its "average stock" about three and one-half times during the year.

I here present additional schedules. Therein I show the results of a test to which I have put this Atlantic Coast store's figures in order to determine whether there *was* on hand on March 1, 1920, that amount of "cash" which the store then *should* have had on hand (if all of the various figures it sent to me were correct).

SCHEDULE 10

Cash Payments (Synopsis)—Year Ended March 1, 1920

Merchandise purchases, less returns to sellers.....	\$81,716.52
ADD: Amount owed to sellers at the START, March 1, 1919	1,023.38
GIVES: Amount which the store would have paid for goods if it had paid all the bills, AS RENDERED.....	\$82,739.90
But, at the year's end, the store still owed \$1,173.93. Hence,	
DEDUCT: Amount owed to sellers on March 1, 1920.....	1,173.93
LEAVES: Face amount of bills (for goods) which the store settled	\$81,565.97
But before paying these bills the store "took off" the discounts, hence	
DEDUCT: Cash discounts earned by the store.....	1,782.78
Leaves: Amount actually paid, during the year, for GOODS.....	\$79,783.19
Inward freight, expressage, etc. Payments.....	728.32
Delivery equipment. Payment.....	865.00
Expenses for the year totaled.....	\$10,465.00
But this total included the following: Depreciation on delivery equipment, \$165; depreciation on store equipment, \$100; supplies that had been carried over from the previous year and therefore were not paid for this year, \$66.50. Hence we must	
DEDUCT	331.50
LEAVES	\$10,133.50
But the store did spend \$123.70 this year for some supplies which (because they were not used) it did not include in the \$10,465.00; hence	
ADD	123.70
GIVES: Actual cash paid for expenses.....	10,257.20
Total of the store's cash payments during year ended March 1, 1920....	\$91,633.71

SCHEDULE 11

Cash Income (Synopsis)—Year Ended March 1, 1920

Sales for the year, less customers' returns.....	\$97,979.62
ADD: Indebtedness of customers at the year's START (March 1, 1919)...	4,555.25
Hence: If all customers had "paid up" in full the store would have "collected" from them	\$102,534.87
But some customers' accounts, amounting to \$1,090.25, "went bad"; hence	
DEDUCT: Bad-debts written off.....	1,090.25
LEAVES	\$101,444.62
Again, at the year's END "good" customers still owed the store \$5,678.02; hence:	
DEDUCT: Indebtedness of customers (March 1, 1920).....	5,678.02
LEAVES: Amount really "collected" from customers.....	\$95,766.60

Inasmuch as there were no other cash-takings, this amount represents the store's entire cash income for the year ended March 1, 1920.

In other words, whereas in my previous schedules I have had to set up the various figures without particular regard to how they affected the store's "Cash Account," this time my main purpose is to "audit" all of those figures in the store's report to me which have a bearing on the handling of its cash.

Here is this report:

Figures Store Included in Its Report

Merchandise on hand as per inventory (cost price) March 1, 1919, \$20,795.59. Merchandise on hand as per inventory (cost price) March 1, 1920, \$22,880.22. Customers' accounts, March 1, 1919, \$4,555.25. Customers' accounts, March 1, 1920, \$5,678.02. Other resources, March 1, 1919, cash, \$1,427.85; supplies, \$66.50; store equipment, \$600.00; delivery equipment, \$200.00. Other resources, March 1, 1920, cash, \$5,560.74; supplies, \$123.70; store equipment, \$500.00; delivery equipment, \$900.00. Merchandise liabilities, March 1, 1919, \$1,023.38; merchandise liabilities, March 1, 1920, \$1,173.93; merchandise bought during the year, less goods returned to wholesalers, \$81,716.52; cash discounts deducted from above purchases, \$1,782.78; merchandise sold during the year (selling price), \$99,663.81. From these sales must be deducted merchandise returned by charge customers, \$1,204.31; and returned by cash customers, \$479.88. Hence "net" sales were \$97,979.62. Cost of running the business (including \$165.00 for depreciation on delivery equipment and \$100.00 for depreciation on store equipment; but *not* including bad debts, or "interest on investment," and not including Federal income tax as this was paid by the individual partners and not by the store), \$10,465. This amount, however, includes \$66.50 worth of supplies carried over from the previous year. It does not include \$123.70 worth of supplies which we are able to carry over to next year. Loss through bad debts, \$1,090.25. Delivery equipment bought (net), \$865.00.

In Schedule 10, therefore, I am able to show that (if all the figures it sent me are correct) the store must have "paid out" during the year, in all, \$91,633.71 in "cash."

In Schedule 11 again I am able to show that (if all the figures it sent me were correct), the store must have "taken in" in all during the year, in "cash," \$95,766.60.

SCHEDULE 12

Cash Account (Summary)
Year Ended March 1, 1920

Dr.	
Cash in bank March 1, 1919	\$ 1,327.85
Cash on hand March 1, 1919	100.00
Cash, income during the year:	
See foot of Schedule 11	95,766.60
Total Dr.	\$97,194.45
Cr.	
Cash payments during the year:	
See foot of Schedule 10	91,633.71
Hence, amount of cash that ought to have been in bank and on hand March 1, 1920 (and then was so in bank and on hand), was	\$ 5,560.74

Hence, in Schedule 12, I am able to show that, everything else being correct, since it started the year with a "cash balance" of, in all, \$1,427.85, the store *ought* to have had on hand, at the year's end, a cash balance of \$5,560.74.

This amount (as can be seen in Schedule 8) really tallies with the amount of cash that the store reported to me as on hand at its year's end, that is, on March 1, 1920.

As to Store's Average Cash Discount Percentage

In Schedule 10 I show, too, that the face amount of the bills (for goods) which the store settled during the year amounted to \$81,565. I also show that in paying these bills the store deducted cash discounts totaling \$1,782. Therefore, in Schedule 13 I am able to show that the store's cash discounts during the year averaged about $2\frac{1}{5}$ per cent on the "bill price" of the goods that it paid for.

SCHEDULE 13

Upon dividing \$1,782.78 (the total of the store's cash discounts for the year) by \$81,565.97 (the face amount of the merchandise bills which the store settled during the year), we find that the store's cash discounts averaged about $2\frac{1}{5}$ per cent on the cost-price of the goods involved.

In Schedule 9 I showed, among other things, the dollars and cents cost of the Purchases—and the dollars and cents selling price of the sales—which the store made *during each month* of the year. I showed there, too, that the purchases totaled (at cost price) about \$82,445 and that the sales totaled (at selling price) about \$97,979.

Note that in the \$82,445 (total of the purchases) I had to include the \$728.00 which were paid for inward freight, etc.

Each Month's Share of Purchases and Sales

Here, therefore, to supplement those monthly purchases and sales figures, I present, in Schedule 14, a list indicating what percentage of the entire year's purchases—and what *percentage* of the entire year's sales—*each month's* transactions represented.

That is to say, counting the entire year's purchases as 100 per cent, I divide each *month's* purchases by the \$82,445; I thus learn what share of the entire year's total each month's purchases represented.

How the Monthly Percentages Were Computed

For example, the purchases of March, 1919 (as I showed in Schedule 9), were \$6,022. Upon dividing this amount by the \$82,445 I get as a quotient about $7\frac{3}{10}$. So, in Schedule 14, I show that the March, 1919, purchases represented about $7\frac{3}{10}$ of the year's total.

Next I take the purchases of April, 1919, which (as I showed in Schedule 9) was \$6,894. I divide this amount by the \$82,445 and thus I find that the April, 1919, purchases represented about $8\frac{4}{10}$ per cent of the year's total, and I list the item in Schedule 14 accordingly. And

so on for the other months.

Similarly I handled the *sales* figures for Schedule 14. The selling price of the goods sold during March, 1919 (as I showed in Schedule 9), totaled \$6,271. Counting the selling price of the entire year's sales (\$97,979) as 100 per cent, I divide the \$6,271 by the \$97,979; thus I find that the March, 1919, sales represented about $6\frac{4}{10}$ per cent of the total for the year and I enter the item in Schedule 14 accordingly; and so on for each other month's sales.

Valuable for Comparisons

Such a schedule (as Schedule 14) containing as it does, comparatively speaking, only a few figures, can readily be prepared by each store at each year's end and may prove highly serviceable in making comparisons.

Up to this point, as my readers have noted, all the figures I have scheduled in this series have been based on the store's business *as a whole*.

In the concluding chapter of this series, I purpose to tabulate, in as comprehensive a manner as practicable, figures for *each department* in the store. That is, I will give details as to the kind of merchandise carried in each department; the amount of stock with which each department started and ended the year; the total of each department's purchases and sales; each department's gross profit, etc.

SCHEDULE 14

Showing each month's share of the Total Purchases and Total Sales during year ended March 1, 1920:

	Percentage	
	Purchases	Sales
March, 1919	7 ³	6 ⁴
April	8 ⁴	7 ⁷
May	7 ⁴	8 ⁷
June	8 ⁶	7 ⁸
July	9 ²	7 ⁹
Aug.	9 ²	9
Sept.	7 ⁹	7 ⁸
Oct.	10 ²	8 ⁴
Nov.	9 ⁶	9
Dec.	10 ²	12 ⁹
January, 1920	6 ⁹	8
Feb.	5 ¹	6 ⁴
Total	100%	100%

The smaller figures in this schedule represent tenths of 1 per cent.

CHAPTER V

How to Find the Weak Spots in Your Merchandising

THIS is the *fifth* installment of my analysis of the figures for the year ended March 1, 1920, of an Atlantic Coast store located in a town of less than 2,700 population, about 20 miles from a much larger center.

Previous Chapters "Reviewed"

The store's *gross* profit for the year, *exclusive* of its cash discount (as can be seen in Schedule 17), totaled \$17,619, or 18 per cent on selling price. These figures, be it noted, furnish added proof of the correctness of my figures in Schedules 1 to 4.

In Schedules 5 to 8 I carefully detailed the store's gross profit, expenses, net profit, increases in resources and liabilities and showed how the net profit of \$7,847 (or 8 per cent on sales) was reached.

In Schedule 9 I showed one of the simplest methods of "estimating" the amount of stock on hand at each month's end, of learning the "approximate amount" of each month's gross profit, the "approximate" cost-price of the goods sold during each month, the "average stock" which the store carried during the year, how many times the store's stock was turned, etc.

A schedule of that kind can easily be prepared by any merchant and will prove of great value to him in his buying and selling, in his advertising, in connection with his fire insurance, etc. The schedule will keep him posted regarding his gross profit also, so he can judge whether he is properly providing for his expenses, net profits, etc.

The work on the schedule is so simple, moreover, that a merchant can prepare a separate one for each of his departments and thus follow up his merchandising to much better advantage than otherwise.

In the fourth chapter I presented Schedules 10 to 14, wherein I made a thorough analysis of the store's *cash* income and expenditure, showed how to figure its cash discounts percentage—which averaged about 2¼ per cent on the cost price of its purchases—showed how to find what percentage (share) of the year's total each *month's* purchases and each *month's* sales equaled, etc.

In Schedule 15 herewith I show how the store lists the contents of each of its 10 departments. In Schedule 16, herewith, I have listed the gross sales of each department—that is, the amount *before* customers' returns were deducted. I also show (for each department) the total

of the goods returned by *cash* customers and the total of the goods returned by *charge* customers, as well as the grand total of each department's returns and of the store as a whole.

SCHEDULE 15

How the Store Lists the Contents of Each of Its 10 Departments

- 1 GROCERY DEPARTMENT—All eatables.
- 2 DRY GOODS—All woolen and cotton piece goods; bed furnishings, laces; embroideries; yarns, curtains and draperies; veils and veiling; table cloths, napkins and linens.
- 3 NOTIONS—All threads and needle goods of all kinds; ribbons; jewelry; trunks; suit cases; bags and purses; umbrellas.
- 4 SHOES—All leather and rubber footwear.
- 5 FURNISHINGS—Men's and boys' pants, overalls and shirts; men's, boys' and ladies' neckwear; waists; skirts; hats; caps; gloves; suspenders; and all furnishings for all the family.
- 6 HOSIERY AND UNDERWEAR—All knit goods, hosiery, underwear, sweaters.
- 7 CLOTHING—All ladies' suits and coats; men's and boys' suits and overcoats; also children's wear.
- 8 HARDWARE—Curtain poles and window shades, glassware, chinaware, enameled ware, brooms, shovels, hoes, rakes; knives, stoves, lamps and lanterns, and all house furnishings.
- 9 FLOOR COVERING—Carpets, rugs, linoleum, matting, oilcloth.
- 10 SILK (Formerly in with Dry Goods)—All silks, crepes, velvets.

In one of the letters which the store sent me, I was informed that its cash sales represented about 55 per cent of the total and that the charge sales represented the remainder, or 45 per cent. As can be seen at the foot of column 1 of Schedule 16, the store's *gross* sales for the year totaled \$99,663. We may assume, therefore, that the gross *cash* sales—55 per cent—equaled \$54,663, and that the charge sales—45 per cent—equaled the remainder, viz., \$45,000.

As to Customers' Returns

Upon dividing the total *cash* returns, \$480, by \$54,663, I find that the cash returns equaled less than 1 per cent of the gross cash sales. Upon dividing the total *charge* returns, \$1,204, by \$45,000, I find that the charge returns represented less than 3 per cent of the gross charge sales. Then, upon dividing the *total* returns, viz., \$1,684, by \$99,663 (the *total* gross sales), I find that all the goods which the customers returned to the store during the year averaged less than 2 per cent.

In column 5 of Schedule 16 I show the amount of *each department's* net sales. (By net sales I here mean, of course, that amount which is left after deducting the customers' returns.)

Each Department's Share of Business Done

In column 6 of Schedule 16, moreover, I show what share—that is, what *percentage*—of the store's entire *net* sales was contributed by

each of its departments. To illustrate how I found these percentages, let me take the figures of the grocery department as an example: The grocery net sales (as shown in column 5 of Schedule 16) totaled \$34,636.

SCHEDULE 16						
	1	2	3	4	5	6
Department	Gross Sales	Returns by customers "cash" ret'd	"chgs" ret'd	Total returns	"Net" Sales	Each Dept's share in % of sales
1 Groceries, etc.	34,757	2	119	121	34,636	35 ³ / ₁₀
2 Piece goods, etc.	10,206	14	31	45	10,160	10 ⁴ / ₁₀
3 Notions, buttons, etc.	6,098	15	21	36	6,062	6 ² / ₁₀
4 Shoes, etc.	11,981	200	500	700	11,281	11 ⁵ / ₁₀
5 Men's & Women's Furnishings	11,476	120	159	279	11,197	11 ⁴ / ₁₀
6 Knit goods	5,995	47	86	133	5,862	6 ² / ₁₀
7 Men's, Women's & Children's Clothing	6,252	46	110	156	6,096	6 ² / ₁₀
8 Hosiery, China, glass, etc.	7,098	22	144	166	6,932	7 ² / ₁₀
9 Floor coverings	2,427	10	21	31	2,396	2 ⁵ / ₁₀
10 Silks, velvets, etc.	3,374	4	13	17	3,357	3 ⁵ / ₁₀
Totals	99,663	480	1,204	1,684	97,979	100%
Formulas: $2+3=4$ $1-4=5$						

For details of each department's goods see Schedule 15.

The smaller figures in column 6 are TENTHS (of 1 per cent).

To find each department's percentage for column 6, divide the department's item in column 5 by the total of column 5.

Upon dividing the total of column 4 by the total of column 1 we find that the store's customers' returns for the year equaled less than 2 per cent of the gross sales for the period.

For other percentages regarding customers' returns see text.

Upon dividing that amount by \$97,979 (the total net sales) I found that the grocery (net) sales exceeded 35 per cent. I entered the grocery percentage in column 6 of Schedule 16 accordingly.

The smaller figures in this percentage column of Schedule 16 represent tenths of one per cent; hence the grocery net sales share is to be read thus: "35 3/10 per cent of the total net sales."

One of the main purposes of Schedule 17 is to find each department's gross-profit exclusive of cash-discounts. My first step, therefore, was to determine the cost-price of the goods sold by each department during the year. Columns 1 to 5 of Schedule 17 show precisely how this is done.

SCHEDULE 17									
Department	1	2	3	4	5	6	7	8	9
	Gross Profit exclusive of cash discounts % of cost	Gross Profit exclusive of cash discounts % of cost	Gross Profit exclusive of cash discounts % of cost	Gross Profit exclusive of cash discounts % of cost	Gross Profit exclusive of cash discounts % of cost	Gross Profit exclusive of cash discounts % of cost	Gross Profit exclusive of cash discounts % of cost	Gross Profit exclusive of cash discounts % of cost	Gross Profit exclusive of cash discounts % of cost
1 Groceries, etc.	2,783	29,482	33,265	2,497	29,768	34,636	4,868	14 ¹ / ₁₀	16 ⁴ / ₁₀
2 Piece goods, etc.	2,820	7,478	10,298	2,681	7,617	10,160	2,543	25 ⁴ / ₁₀	33 ³ / ₁₀
3 Notions, buttons, jewelry, etc.	972	5,186	6,158	1,247	5,711	6,062	357	5 ⁸ / ₁₀	6 ² / ₁₀
4 Shoes, etc.	5,502	7,495	12,997	4,493	8,504	11,281	2,777	24 ⁶ / ₁₀	32 ⁷ / ₁₀
5 Men's & Women's Furnishings	2,470	9,773	12,243	3,472	8,831	11,197	2,366	21 ⁴ / ₁₀	26 ⁸ / ₁₀
6 Knit goods	1,786	5,736	6,422	2,854	4,263	5,862	1,799	30 ⁷ / ₁₀	44 ³ / ₁₀
7 Men's, Women's & Children's Clothing	1,467	5,796	6,793	1,476	5,367	6,096	729	12 ⁴ / ₁₀	13 ⁶ / ₁₀
8 Hosiery, China, Glass, Etc.	654	6,944	7,598	1,346	6,052	6,932	880	12 ⁷ / ₁₀	14 ⁵ / ₁₀
9 Carpets, Rugs, Linoleum, etc.	766	2,255	3,021	1,069	1,952	2,396	444	18 ⁴ / ₁₀	22 ⁸ / ₁₀
10 Silks & Velvets	1,975	2,170	4,145	1,650	2,495	3,357	862	25 ⁴ / ₁₀	34 ⁵ / ₁₀
Totals	20,795	82,445	103,240	22,880	80,360	97,979	17,619	18 ² / ₁₀	21 ⁹ / ₁₀
Formulas: $1+2=3$; $3-4=5$; $6-5=7$; 7 divided by $6=8$; 8 divided by $5=9$ each item gross profit percentage (net incl. disc.) based on selling price, etc. enter the percentage of profit									

For details of each department's goods see Schedule 15. The smaller figures in columns 8 and 9 are TENTHS of 1 per cent. To find each department's percentage share of the stock on hand, divide the item in column 1 by the total of column 1; the same kind of percentage can be obtained by dividing the item in column 4 by the total of column 4.

Each Department's Share of Gross Profit

Then, to find the gross profit of each department (exclusive of its cash discounts), all I had to do was to subtract the amount in column 5 from the corresponding amount in column 6.

The next step was to find each department's gross profit *percentage*. I felt that my readers would appreciate my doing so, hence I showed in Schedule 17 not only how to find the percentage on selling price (see column 8), but also how to find the percentage on cost price (see column 9).

At the foot of Schedule 17 I have given a formula which shows precisely how the figures for the various columns are computed. To avoid misunderstanding, however, we repeat that: to find the percentages for column 8 I divided the amount in column 7 by the corresponding amount in column 6. To find the percentages for column 9 I divided the amount in column 7 by the corresponding amount in column 5.

Underneath the Schedule 17 I tell how to determine each department's percentage-share of the stock on hand at the fiscal year's start and end.

To Find Each Department's Customers' Returns Ratio

A different method is to be used to find what percentage of each department's gross sales was returned by its customers. For this purpose we must divide the department's total customers' returns (shown in column 4 of Schedule 16) by the department's total gross sales shown in column 1 of Schedule 16; to illustrate: According to column 4 of Schedule 16, the shoe department's customers returned to it \$700 worth of goods. Upon dividing by the shoe gross sales (shown in column 1 of Schedule 16), viz., \$11,981, I find that the shoe returns represented almost 6 per cent of the gross shoe sales for the year.

By using this same method I also obtained the following percentages: I found that in the grocery, piece goods, notions and silk departments the customers' returns were less than 1 per cent of gross sales; in the men's and women's furnishings department, however, such returns were about $2\frac{1}{2}$ per cent. In the knit goods department the returns were about $2\frac{1}{4}$ per cent; in the men's, women's and children's clothing departments the returns were $2\frac{1}{2}$ per cent; in the house furnishings department the returns were $2\frac{1}{4}$ per cent; and in the floor coverings they were about $1\frac{1}{4}$ per cent.

CHAPTER VI

Buy Your Goods Right, Then Mark Them Right and Sell Them Right

A QUESTION that is of vital importance to merchants everywhere is that of how to properly mark goods. Many a retailer handicaps not only his own progress, but also that of his more immediate competitors through a lack of knowledge as to the computing of costs and of gross profit percentages.

Goods must be bought "right" and then must be marked and *sold* "right." That is, there must be added to laid-down cost price such a percentage as will, in turn, produce on selling price that percentage which—after providing for expenses, shrinkages, etc.—will give the merchant a fair *net* percentage of profit.

And in determining what is a "fair *net* percentage of profit" for him, not only his investment, but also his "labor" ought to be duly taken into account.

The following outline will give a general idea of simple methods to be pursued.

Providing for Profit in Pricing Goods

Suppose such a merchant wishes one of his departments to sell its goods at a gross profit equivalent to $33\frac{1}{3}$ per cent on their *selling* price. The merchant ought to know that to produce such a result the goods must be sold at an average advance equivalent to 50 per cent of their *cost* price.

Why? Because a gross profit of 50 per cent on an article's *cost* price is equal to only $33\frac{1}{3}$ per cent on its *selling* price.

Don't Forget the Shrinkages

He must not forget, though, that for various reasons—for example, because of the leakages, reductions and other shrinkages which occur *before* goods are sold—if the department is really to show an average gross profit equivalent to 50 per cent on the cost price of its goods, he must sell many of those goods at a far *higher* percentage above cost than the 50 per cent.

And that is true regarding goods, no matter what the percentage of profit desired, or needed, may happen to be.

To put the matter a little differently: Wise merchants do not haphazardly add a certain profit (percentage) to the cost of their goods

and then, let us say, "by chance" learn what percentage of the selling price their gross profits will represent. No. They determine in advance what percentage of their *selling* price they wish their gross profit to equal; and then after making due allowance for shrinkages, etc. (and by adding the necessary percentage to cost price), they fix their selling price.

Before going further, let me cite some concrete examples:

Some Concrete Examples

When an article is to be sold at a gross profit equivalent to 25 per cent on its *selling* price it is necessary to mark that article at a price which is *not less than* 33 1/3 per cent above its cost price—because a gross profit which is equivalent to 33 1/3 per cent of an article's *cost price* is equivalent to only 25 per cent on that article's *selling price*. To illustrate:

Take an article which costs \$1.50 and which the merchant wishes to sell at a gross profit equivalent to 25 per cent of its *selling* price.

Now 33 1/3 per cent of the cost price (\$1.50) is 50 cents, and if the 50 cents is added to the \$1.50 we get \$2.00, the price at which we will try to sell the article. If the article is sold for \$2.00 the gross profit thereon—50 cents—as can be seen, will represent *only one-fourth* of the *selling* price (and one-fourth of anything is 25 per cent of that thing).

But, that same gross profit of 50 cents, while it is, as just said, only one-fourth (25 per cent) of the *selling* price (\$2.00), is nevertheless equal to one-third (33 1/3 per cent) of the cost price (\$1.50).

Take another illustration:

If an article which costs \$3.00 is sold for \$4.00, then the gross profit (\$1.00), while equivalent to only one-fourth, 25 per cent, of the \$4.00 *selling* price, is nevertheless equivalent to one-third (33 1/3 per cent) of the \$3.00 cost price.

To repeat: A gross profit of 33 1/3 per cent on an article's *cost* price is equivalent to only 25 per cent on its *selling* price.

Different Ratios

Now to take a different percentage:

If an article which costs \$100 is sold for \$125, the gross profit is \$25.00.

This gross profit being one-fourth of the *cost* price (\$100) represents 25 per cent on that cost price. But, at the same time that gross profit (\$25.00) represents only one-fifth of the *selling* price (\$125); hence represents only 20 per cent thereon.

Thus, it is to be noted that the merchant who desires to effect a gross profit which is equivalent to 20 per cent on the *selling* price of an article, must add to the *cost* price of that article a gross profit which is equivalent to *not less than* 25 per cent on that cost price.

To repeat: A gross profit of 25 per cent on an article's *cost* price is equal to only 20 per cent on its *selling* price.

"Review"

Let none of my readers believe, however, that all that any merchant will have to do in order to obtain a gross profit of 33 1/3 per cent on the *selling* price of *all* his goods will be to add 50 per cent to the laid-down cost price of each article.

And don't let it be thought that to obtain an average gross profit of 25 per cent on the *selling* price of *all* of one's goods one need simply add 33 1/3 per cent to the laid-down cost price of each article.

Again, to produce an average profit of 20 per cent on the *selling* price of *all* of one's goods one must do more than merely slap 25 per cent on the laid-down cost price of each article.

Price for Each Lot Must Be Gauged

As is well known, in any department, or store, in which an average gross profit equivalent to 33 1/3 per cent on selling price, for example, is desired, to produce the desired *AVERAGE* many of the items must, as suggested above, be sold at a price which involves a "profit" not only of the equivalent 50 per cent of their laid-down cost price, but (within the "law") of a far higher rate.

And why? Because other goods in the same department, or store, may have to be started at "a profit" which represents only 25 per cent—or even less—of their laid-down cost price.

In a word, not only must market conditions, style, competition, etc., be duly considered, but the fact that during the year there is a considerable amount of shrinkage—due to reductions in prices, over-measuring, pilfering, etc., must be constantly borne in mind.

Consequently each wise merchant so marks *each* lot of goods that after all shrinkages, reductions, and all other incidentals, as freight and expressage, workroom costs, etc., have been taken into consideration, his department or store will at the season's or year's end show the desired percentage of gross profit on *selling* price. And that is not all.

How Big Stores Follow Up Profits

In the big stores, in order to help each department head produce the desired results, he is kept informed as closely as possible in regard to the condition of his stock, etc.

Regularly in such stores the "merchandise man" and firm receive from the office a list showing the stock on hand, purchases, sales, amount of goods ordered (and still to come) in each department. And in these lists are noted not only "*this*" year's figures, but also the corresponding figures of "*last*" year, etc.

And if the figures of a department indicate that there is something

wrong with it—for example, that its stock is increasing at a time when it ought to be *decreasing*—the buyer is at once informed and the proper steps are taken in order, if possible, to locate the cause of the trouble and promptly remove it.

To simplify the figures as much as possible, and to present them in convenient form for quick reference, I give in Schedule 18 parallel columns of percentages.

SCHEDULE 18			
"A"	"B"	"A"	"B"
Gross Profit Percentage on SELLING Price.	Corresponding Percentage on COST Price.	Gross Profit Percentage on SELLING Price.	Corresponding Percentage on COST Price.
50 per cent	100 per cent	25 per cent	33 1/3 per cent
35 "	53 7/8 "	23 "	29 7/8 "
33 1/3 "	50 "	21 1/4 "	27 "
31 "	45 "	20 "	25 "
30 "	42 6/7 "	18 "	22 "
28 4/7 "	40 "	12 1/2 "	14 2/7 "
28 "	39 "	10 "	11 1/9 "
27 "	37 "

In each of the two columns headed "A" I present the AVERAGE gross profit percentage some may desire to have on *selling* price. Next to each of such percentage I show, in the parallel column (headed "B"), which percentage on *cost* price the neighboring percentage represents approximately.

Don't forget, though, that as suggested above, *marking* goods a certain price is one thing, *selling* them at that price may prove to be a very different thing. Hence, deficiencies must be carefully guarded against in advance.

CHAPTER VII

Stock Record Shows at Glance What You Want to Know

LIVE merchants know how essential it is to be able to keep in close touch with what *is*, or is *not*, selling; with what *is*, and what is *not* in stock; with what *is*, or is *not*, "paying" the necessary profit. One of the simplest systems employed for such purposes is that used by the Barmann Shoe Co. of New York. While this is a shoe stock system, it can readily be adapted by any merchant for various other kinds of merchandise, such as garments, waists, underwear, hosiery, clothing, hats, rugs, etc.

The Barmann Shoe Co., be it noted, conducts two stores in New York City.

The system is simple, inexpensive, takes little time to run; yet day by day it can be made to answer the following vital questions, almost in a glance!

Vital Questions Answered Daily

1. What is (or what is *not*) on hand, in each size, color, width, style, quality, etc.?
2. Which goods are (and which goods are not) moving "right" (and hence, which goods ought to be pushed, "reduced," or otherwise carefully followed up)?
3. What is the total quantity *bought* (of each item)?
4. What is the total quantity *sold* (of each item)?
5. What is the gross profit on *each* item sold "yesterday"?
6. What is the *total* gross-profit for "yesterday"?

The kind of stock record, or permanent inventory, which the Barmann Shoe Co. is using, therefore, ought to be of great value to any merchant or other buyer of merchandise, particularly of staples, as a guide in making his purchases.

In the accompanying "form" I show a fragment of the top section of one of the loose leaves, kept in a binder, which, simple as it is, is practically the whole "works." (See Schedule 19.)

Each leaf is about thirteen inches square. *Both* sides of the leaf are divided *horizontally* into three sections (so that on each leaf track can be kept of at least six different stock numbers).

Underneath each stock number, too, there is room, horizontally, for keeping track of eight *widths*—that is, from AAA to F. Vertically,

SCHEDULE 19

[illegible]

For each pair of shoes that comes into stock one stroke (/) is made in the proper space. Thus, if four pairs of 3 B had come in, four separate strokes (/ / / /) would have been entered in the 3 B space instead of (/) stroke shown above. Then as each pair is sold the stroke that represents it is erased; hence, when all the shoes have been sold, the "size" spaces are entirely blank. This illustration is much smaller than the form that is really used; in a word, there is much more room on the form for the strokes.

as can be seen, each section of the sheet is so ruled as to provide for every size from 0 to $13\frac{1}{2}$, etc.

Simple Stock Numbering Plan

Once the system is in running order the task of keeping it up to date is a matter of a "few minutes" daily. To get it started, of course, calls for some painstaking work; but it is well worth it.

In Mr. Barmann's case, the first step was to divide the stock of shoes into specific groups—men's, women's, etc.—so as to be able to reserve sets of stock numbers for each group. Thus, in his stores on infants' cacks, the stock numbers run from 1 to 100; on infants' wedge heels the numbers run from 100 to 200; on infants' welts, sizes 6 to 8, from 200 to 300; on children's welts, sizes 8½ to 11, the stock numbers run from 300 to 400; and so on throughout the entire stock.

My readers will appreciate my adding that to simplify matters, Barmann's give "odd" stock numbers to *lace* shoes and "even" numbers to *button* shoes. And they go further, viz., to take care of *colors*, each of certain groups is divided into four sub-groups; the first quarter being used for *white* shoes; the second quarter of the group for *brown*; the third quarter for *black*, and the remaining quarter of the group for combinations and novelties.

Thus the stock number given to a shoe instantaneously describes it. To illustrate: In the form accompanying this article the shoe illustrated is number 1569, an "odd" number. Therefore, the shoe must be a "lace," etc.

In the stock record binder the loose leaves run in rotation according to the stock numbers. Thus it takes but an instant to turn to the record of any shoe.

Start with Inventory

To inaugurate such a system one ought to begin after an inventory has been taken and give to the shoes on hand that *are* to be re-ordered a stock number from the group in which they belong (so that they can be entered on the proper sheets in the record according to their numbers, widths, sizes, etc.). Then, as new goods arrive they must be given the lowest *unused* stock numbers in the group to which *they* belong, and be entered in the record accordingly. If desired, stock numbers can be given also to rubbers, hosiery, findings, etc.

Each Store's Stock Controlled Separately

Barmann's, as said, have two stores, which they number Store 1 and Store 2; B. F. Barmann looks after the one branch store and A. C. Barmann looks after the other. So as to keep track of the goods of each branch separately, they use white loose leaves for the stock record of Store 1, and yellow sheets for Store 2. They keep the two sets of sheets in the same binder, but *by themselves*—just as though the sheets were in separate binders.

As shown in the accompanying form, stock number 1569, bought from the Thos. H. Cohen Co., is a woman's black, glazed kid, military heel, "lace." Its cost price (in code) is "G I K," and its selling price (in plain figures) is \$11.00.

As shown at the left-hand side of the form, near the top, there came into Store No. 2, on Jan. 7, 1920, a shipment of 36 pairs of these shoes. After the shoes had been carefully compared with the order copy and bill, referring to them, their arrival was duly noted in the record in *ink*. The total number of pairs received, 36, and the date on which they came in, Jan. 7, 1920, were noted, as said, in the upper left-hand corner.

Details of Goods Received Entered in Pencil

Then in *pencil*, one by one, according to the sizes received, the twelve B's were noted, as shown in the form; next, the twelve C's were noted; and then the twelve D's. As can be seen in the form, excepting in the case of the D's, there was only *one* shoe of each size and width to be noted. In the D's, in sizes 5, 5½, and 6, *two* of each came in—so two strokes (//) had to be entered in each of the three proper size columns. If any more of these shoes would come in, the subsequent arrivals would be recorded in the same manner; first, the total would be entered at the top in ink; and then the individual sizes (and widths) at the bottom, in pencil. Thus, by looking at the top of each stock number we can, at any time, see how many have come in.

How Sales Are "Recorded"

Now as to the sales: When a salesperson sells a pair of shoes he notes on the saleslip covering the transaction the selling price, also (a) the stock number (b) the size, and (c) the width of the item. Each morning the previous day's saleslips are laid in rotation, according to the stock numbers they contain, and then the stock record is corrected as follows:

Let me use the 1569 shoe as an illustration: Both of the two 5D's were sold, hence the two 5D strokes were erased and the space left blank. The same is true of the 5½ and 6 D's; that's why those spaces are blank, also. In a word, when *all* of a certain stock number have been sold its size spaces will be *entirely blank*.

To Determine Total Sales

At the season's, or year's end—or at any other time—under each stock number the pencil figures (indicating the stock left *on hand*) can be totaled, almost in a glance. By deducting *such* total from the total receipts of that shoe (shown in ink in the upper left-hand portion of that stock number) one instantly determines how many of that shoe have been *sold*. To illustrate, suppose that of 1569, we bought only the 36 recorded, in ink, in our illustration; and suppose that at the end

of the season the pencil figures in the 1569 record show that there are only three pairs left on hand, it takes but an instant to determine that 33 pairs of 1569 were sold in the period indicated (*viz.*, since Jan. 7, 1920).

Other Advantages

The merchant who, in following up his stock, has such a record to refer to can more readily keep in touch with slow sellers, and thus more advantageously dispose of them, can keep his stock freer from broken lines, can gauge re-orders, etc.

Again, in case of fire or burglary loss, the record ought to show almost to a pair how much stock was on hand when the record was last corrected. And again, since each stock number shows (in code) the cost price of the shoes recorded thereunder, the employe who keeps the record can, day by day, if so instructed, easily note on a rough sheet (to be used only for this purpose) the gross profit made on *each* pair of shoes sold on the previous day.

It will take but a few minutes to foot these notations and thus learn daily the *total* gross profit on the shoes that were sold.

And, be it noted, too, this plan *saves* work and worry in other ways; for example, it obviates the need for marking the cost-price on the shoes, or tag, or box, etc. The stock number is the key to the cost, and only the boss, or the record keeper, can get at it.

CHAPTER VIII

What Share of Rent Are You Paying for Your Part of Selling Space?

IN Schedule 20 (covering department distributions) there is indicated how large—or how small—a share of the rent chargeable to the selling area in a well known eastern Pennsylvania store was apportioned *directly* to each of its selling departments. The schedule, as can be seen, shows what changes were made in such shares during the three years in the period ended Dec. 31, 1919.

The smaller figures at the end of each item represent *tenths* of 1 per cent. I print the ratios in this way so as to make it more easy for my readers to read and remember them.

In order to indicate how the value of the space occupied by each department was gauged, the store in question was kind enough to give me the following details:

How Department Apportionment Was Made

To get figures on which to base the rental charges, the space occupied by each department as well as its location was taken into consideration by five employes in the store, each acting separately. These five were respectively an office man, auditor, buyer, floorman and salesperson.

They laid out one section on the main floor, and for the time being assumed it was worth \$100. Then, using that space as a base, each one, independently, estimated and computed the value of all the space occupied by the selling departments.

How Estimates Were "Checked"

The results of the five tabulations were compared so that abnormal ratings could be adjusted. Then the five figures were added together and their total was divided by five, so as to strike the average.

This method, we believe, gives us a fair basis for rent apportionment among the selling departments, and has never, to our knowledge, caused any adverse criticism.

"The balance of the store rent is charged to the *non-selling* departments—but, of course, eventually reaches the selling departments in the distribution of the 'overhead.'"

SCHEDULE 20

DEPARTMENTS	Eastern Pa. Share of Rent of Selling Area Percentages			DEPARTMENTS	Eastern Pa. Share of Rent of Selling Area Percentages		
	1917	1918	1919		1917	1918	1919
Art Embroideries, etc.	2	15	17	Miscellaneous	22		
Books, Magazines, Stationery and Cameras	13	19	19	Men's Furnishings and Men's and Women's	88	88	86
Candy	07	08	07	Umbrellas and Parasols (<i>not including Underwear or Sweaters</i>)	45	47	46
Carpets, Rugs, Linoleums, Matings, etc.	28	28	27	Millinery	12	09	09
Children's Coats and Dresses, Infants' Wear, Petticoats, etc.	05	04	04	Muslin Underwear	23	22	21
China, Glassware, Tinware, Hardware, Woodenware, Trunks, Gas and Electric Lighting Fixtures, Lamps, Baby Carriages	94	10	97	Notions, Leather Goods, Perfumery, Druggists' Sundries, Toilet Articles, Hair Goods, etc.	82	82	75
Clothing (Men's and Boys'), Ready-made	31	3	26	Paper Patterns	06	05	02
Clothing, Made to Order	03	03	01	Ribbons	06	06	06
Corsets, Brassières, etc.	05	05	06	Sheet Music	04	05	04
Dress Goods, Colored	21	19	19	Shoes (Men's, Women's and Children's)	122	113	113
Dress Goods, Black	08	08	86	Silks and Velvets	23	11	23
Furniture, Beds, Mattresses, etc.	81	23	23	Suits, Coats, Skirts, Waists, Furs, Raincoats, House Dresses, Kimonos, Wrappers, etc. (Women's and Misses')	54	56	54
Gloves (Women's and Children's)	22	16	13	Underwear, Knit (Men's, Women's and Children's), also including Sweaters	32	34	33
Groceries, Meats, etc.	17	13	17	Upholsteries, Curtains, Shades and Awnings	13	13	13
Handkerchiefs (Women's and Children's), also Women's Collars, Neckwear, Embroidery, etc.	09	09	08	Wash Goods	36	33	32
Hosiery (Women's and Children's)	26	26	24				
Jewelry, Silverware, Clocks, Cut Glass, etc.	2	21	24				
Laces, Velings, Dress Trimmings, etc.	21	26	24				
Linings	03	05	05				
				Totals of above departments	100	100	100

SCHEDULE 21

Basement	13 ¹
First floor	44 ¹
Second floor	25 ²
Third floor	8 ⁵
Fourth floor	5 ⁸
Fifth floor	3 ³
Total	100%

Taking the store as a whole—including the space devoted to selling as well as that which was not used for selling—the rent was divided as shown in Schedule 21.

CHAPTER IX

Cash Discounts for Three Years Compared at a Glance

DEPARTMENT Schedule 22 shown herewith is based on statistics generously supplied by an eastern Pennsylvania store. For each department in that store I name in the schedule three ratios; these ratios indicate what percentage on the "cost-price" of the respective department's paid-bills its (the department's) cash discounts for the years 1917, 1918 and 1919 averaged.

To briefly outline how all the ratios contained in the schedule were computed, let us use the 1919 Art Embroidery item as an illustration:

Year's End Work

After the close of the year 1919 to find the 1919 cash discount average-percentage for the art embroidery department, the total of the dollars and cents amounts of the art embroideries' 1919 cash discounts was ascertained and was divided by the "cost-price" total of the art embroideries' 1919 paid-bills.

The same method was, of course, employed to find the art embroidery department's 1917 and 1918 average-percentage. And, naturally, the method that was used in the case of the art embroideries was used also in the case of all the other departments in the store.

The *smaller* figures at the end of each item in our schedule represent *tenths* of 1 per cent.

It will be noted that in Schedule 22 the departments appear in alphabetical order. They have been presented in this way in order to make it easier for readers to locate the respective items. Care has been taken too, to present with as much detail as practicable, the "make-up" of each department. For example—the schedule clearly shows that in the Notions department there are not only the restricted groups of items which some stores include in "Notions," but also leather goods, perfumery, druggists' sundries, toilet articles and hair goods.

At the foot of the second section of the schedule is shown what percentage on the cost price of the *entire store's* paid bills its cash discounts averaged during each of the three years. As can be seen, during 1917 the store's cash discounts averaged almost 4%; in 1918 they averaged about 3½%; in 1919 they averaged a little over 3%.

In all cases, as said, these percentages are based on the *cost* price of the goods covered by the bills that were *paid*.

SCHEDULE 22

DEPARTMENTS	Eastern Pa. Cash Discounts on Purchases 1917 1918 1919			DEPARTMENTS	Eastern Pa. Cash Discounts on Purchases 1917 1918 1919		
	1917	1918	1919		1917	1918	1919
Art Embroideries, etc.	27	28	27	Linings	11	28	31
Books, Magazines, Stationery and Cameras..	11	16	14	Men's Furnishings and Men's and Women's			
Candy	2	17	16	Umbrellas and Parasols (<i>not including Un-</i>	39	35	35
Carpets, Rugs, Linoleums, Matings, etc.	39	4	39	<i>derwear or Sweaters</i>)	7	7	39
Children's Coats and Dresses, Infants' Wear,				Millinery	55	58	56
Petticoats, etc.	68	61	65	Muslin Underwear	24	22	25
China, Glassware, Tinware, Hardware,				Muslins, Flannels, Sheetting, Blankets, Com-			
Woodenware, Trunks, Gas and Electric				forts, etc.			
Lighting Fixtures, Lamps, Baby Carriages	17	13	14	Notions, Leather Goods, Perfumery, Drug-			
Clothing (Men's and Boys'), Ready-made..	63	38	54	gists' Sundries, Toilet Articles, Hair Goods,	28	26	25
Clothing, Made to Order.	5	51	51	etc.	31	3	..
Corsets, Brassières, etc.	68	65	68	Paper Patterns	51	46	53
Dress Goods, Black.	33	3	27	Ribbons	05	04	09
Dress Goods, Colored.	3	27	33	Sheet Music	37	38	36
Furniture, Beds, Mattresses, etc.	28	24	2	Shoes (Men's, Women's and Children's)....	49	47	43
Gloves (Women's and Children's)	14	09	14	Silks and Velvets			
Groceries, Meats, etc.	07	07	07	Suits, Coats, Skirts, Waists, Furs, Raincoats,			
Handkerchiefs (Women's and Children's),				House Dresses, Kimonos, Wrappers, etc.	4	25	32
also Women's Collars, Neckwear, Em-				(Women's and Misses').....			
broidery, etc.	85	52	52	Underwear, Knit (Men's, Women's and Chil-	24	21	19
Hosiery (Women's and Children's).....	21	17	19	dren's), also including Sweaters.....	33	28	33
Jewelry, Silverware, Clocks, Cut Glass, etc..	21	18	13	Upholsteries, Curtains, Shades and Awnings	24	24	25
Laces, Veilings, Dress Trimmings, etc.	63	57	52	Wash Goods	37	35	31
Linen, White Goods, etc.	22	22	19	Entire Store (<i>Average</i>).....			



**END OF
TITLE**